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Kuwait's Foreign Policy

An Intelligence Assessment

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Kuwait's Foreign Policy

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An Intelligence Assessment

*Information available as of 8 May 1981
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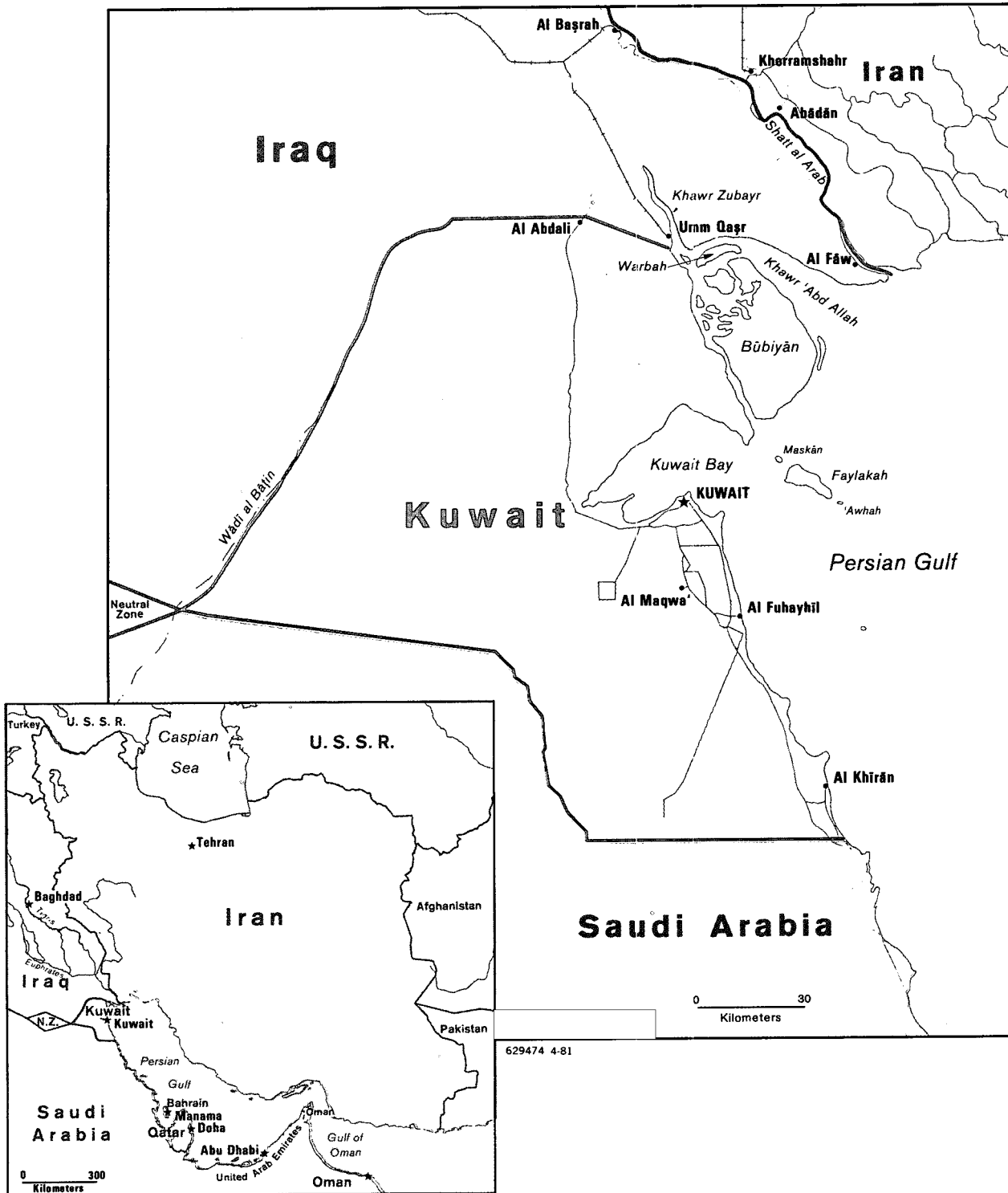
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Kuwait's Foreign Policy

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Key Judgments

The key to understanding the often ambiguous foreign policy of Kuwait is the country's weakness. Its territory is squeezed between three larger, more powerful neighbors which regularly make conflicting demands on Kuwait's leaders. Kuwait has a one-resource economy, and a religiously and ethnically divided population in which foreigners outnumber natives.

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Kuwait traditionally has compensated for these weaknesses by avoiding entangling alliances, playing off one strong neighbor against the other, and avoiding public stances that would antagonize the more important of its domestic factions. If pressed, it accommodates to the strongest pressure.

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During the past two years, regional developments have confronted Kuwait's rulers with their greatest challenges in 20 years. The overthrow of the Shah was followed by Iranian efforts to subvert Gulf monarchies, the Soviet invasion of Afghanistan, growing superpower rivalry in the Persian Gulf, divisions in Arab ranks stemming from the Camp David accords, and the Iran-Iraq war.

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Kuwait's rulers have been trying to adjust to these shocks, reshaping policies where appropriate. The results reflect the conflicting pressures on Kuwait. While maintaining its traditional avoidance of commitments to political groupings, Kuwait has aligned itself more closely to Iraq—a historical enemy—and joined the Gulf Cooperation Council of Arabian Peninsula states, which excludes both Iran and Iraq. Kuwait has energetically promoted Gulf cooperation, in part to help balance its closer ties to Iraq, but it resists a strong security role for the Council out of concern for Iranian and Iraqi reactions.

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Kuwaiti leaders regard the Palestinian question, not the Iran-Iraq war or even the Soviets, as their most immediate security threat. No other issue, in their view, has so great a potential to destabilize Kuwait or to force it into unwanted alliances. The presence of 300,000 Palestinians in Kuwait—the largest such community in the Gulf region—prompts the Kuwaitis to take a more pro-Palestinian stance than the other Gulf shaykhdoms.

Emphasis on the Palestinian issue helps explain why relations with the US are strained. Kuwait sees US policy as uncritically supporting Israel's occupation of the West Bank and considers the Camp David agreement a separate peace. The Kuwaitis doubt US good intentions and ability to resolve the issue equitably. US-Kuwaiti relations probably will worsen if progress is not made on the Palestinian question.

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Even so, the Kuwaitis recognize the importance of the US as a counter to Soviet expansion. The Kuwaitis tacitly approve a US military force in the Indian Ocean, but object to a US military presence in Oman as bringing superpower rivalry into the Gulf and endangering Oman's Sultan Qaboos. They are actively working to limit the US-Oman military tie as well as Soviet influence in South Yemen.

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Kuwait's policy toward the USSR is ambivalent. The Kuwaitis regard Soviet activities in the region as part of a pincer movement designed to control Persian Gulf oil, but their fear of provoking the USSR and its regional allies inhibits their response. The Kuwaitis appear to have adopted a more accommodating policy following the Soviet invasion of Afghanistan, when a greater Soviet role in Gulf affairs seemed to them inevitable. A major Soviet setback would lessen this impulse, but it probably would not fundamentally change Kuwait's pursuit of nonalignment.

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Aware of oil's importance to Kuwait's economy and stability, Kuwait's rulers are strongly conservationist and among the most aggressive in pressing for price hikes and production cuts. Under the leadership of Amir Jabir Ahmad al-Sabah, Kuwait has sought independence from Saudi Arabia and attainment of an important role as broker between OPEC hardliners and moderates—an economic version of its traditional posture of trying to balance conflicting foreign pressures and avoid taking sides. Slack market conditions have at least temporarily weakened Kuwait's hand.

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Projecting future policy directions is made difficult by the tendency of Kuwait's policymakers to await events, seeking to restore a balance in power relationships shaped by developments largely beyond their control. Kuwaiti rulers will in any event seek good relations with their larger neighbors. Should a friendlier regime come to power in Tehran, Kuwait would welcome improved relations and probably would move somewhat away from Iraq. It will continue to strengthen ties with Saudi Arabia and the smaller shaykhdoms, but will resist being drawn into a security relationship that appears to be a creation of the US.

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Kuwait's Foreign Policy

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Kuwait, the size of New Jersey, is sandwiched between the regional giants, Iran, Iraq, and Saudi Arabia, whose combined populations are more than 44 times Kuwait's 1.35 million. Kuwait's 562,000 natives are outnumbered by foreigners, who dominate the labor force, staff the government, and make up the military rank and file. Palestinians alone constitute over 20 percent of Kuwait's population. Kuwait also has large communities of Iranians and Iraqis. Kuwait's Shia community—17 percent of the total population—has probably been swelled by the Iranian revolution and the war with Iraq.

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Kuwait's limited security forces probably could not handle widespread internal disorder, and its military is vastly inferior to its neighbors' forces. Kuwait's oil facilities are virtually undefended, as are the desalination plants upon which Kuwait depends for over 75 percent of its potable water. Kuwait supplies less than 1 percent of US oil imports, but is an important supplier of oil to Japan (11 percent) and Europe (7 percent).

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Kuwait's rulers structure their foreign policy around five major principles that reflect these geographic, social, and military weaknesses:

- Kuwait assiduously seeks friendly relations with the regional powers, Iraq, Iran, and Saudi Arabia, and sees each as a necessary counterweight to the others.
- In Arab forums it strives for consensus on issues that have the potential to disrupt its large foreign population, particularly the Palestinians.
- Internationally, the government assumes a non-aligned stance to avoid entanglements in superpower conflicts and to enhance its standing in the Third World.
- When Kuwait must take sides, it accommodates itself to the stronger force.
- Kuwait seeks to keep foreign powers, particularly the US and USSR, out of the Gulf.

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These tenets have generally served Kuwait well during its two decades of independent existence. Oil revenues have permitted social welfare programs that defuse

Kuwait : Statistical Information

Size	16,058 square kilometers.
Land	Arid; virtually no agriculture; no potable surface water.
Population	1.3 million; 42 percent native, 75 percent under 30; 22 percent Palestinians/Jordanians; 17 percent Shia (native and foreign); 75 percent of work force foreign.
Government	Nominal constitutional monarchy headed by Amir Jabir Ahmad al-Sabah of ruling family.
Economy	Oil accounts for about 95 percent of exports, 1,530,000 barrels per day (1980); \$18.6 billion in oil revenues (1980 estimate); per capita GNP \$13,200 (1980 estimate); imports, \$6.9 billion (1980 estimate); leading suppliers (1979) in descending order: Japan, US, UK, France.
Defense Forces	Military, 14,000; national police, 15,200; 104 aircraft.

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domestic opposition and foreign aid programs that keep Kuwait on good terms with radical Arab states and Palestinian organizations.

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Over the years, Kuwait has remained relatively independent of Saudi Arabia, whose lead most of the smaller states of the Persian Gulf follow. Kuwaitis display pride concerning their early independence and accomplishments.

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More practically, Kuwait's geographic proximity to Iran and Iraq as well as its large Palestinian population have influenced its policies, which have been more leftist and more pro-Palestinian than have Saudi Arabia's and the other shaykhdoms.

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Foreign Developments

Regional developments beyond Kuwait's control during the past two years have confronted its rulers with their greatest challenges in nearly two decades and

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required reexamination of some foreign policy assumptions. Kuwait's rulers have been trying to adjust to these shocks, reshaping policies where appropriate. The result has been seemingly contradictory policies, reflecting conflicting pressures on Kuwait. []

Iranian Revolution

Kuwait, like the other small Gulf states, reluctantly accepted the Shah as the self-appointed policeman of the Gulf during the 1970s. The Kuwaitis disliked the Shah and suspected him of possessing expansionist ambitions, but regarded him as an effective buffer against Soviet encroachment, a counterweight to Iraq, and a protector of the status quo. The Islamic revolutionaries who succeeded the Shah, however, are a source of continuing instability in the Gulf and have in Kuwait's 230,000 Shias an exploitable local pressure group. []

Kuwait's Shia community is composed of 168,000 natives, 50,000 Iranian workers, and possibly 12,000 Iraqis—about 17 percent of the total population. They are found at all levels of the economy and government and in the lower ranks of the military. The Iranian revolution has made native Shias increasingly conscious of their distinctiveness and encouraged them to make demands of their government. They have prospered during the economic boom, but are at a disadvantage socially and politically compared to the dominant Sunni Muslim sect. []

The clerical government in Tehran is generally hostile to the Gulf shaykhdoms, but has concentrated its propaganda and subversive activity mostly against Iraq, Bahrain, and Saudi Arabia. Kuwait gave early public support to the revolution. For example, it has swapped finished oil products with Iran and it balanced its criticism of the taking of American hostages with criticism of the seizure of Iranian financial assets by the US. Iran's rulers nevertheless regard Kuwait's rulers as wayward Muslims who do not represent their Muslim population, and this, plus Kuwait's support for Iraq's war effort, has more than offset any initial good will. []

Iran has incited some unrest in Kuwait. The Iranian Ambassador to Kuwait together with local Iranian clerics organized a large demonstration of Shias—

mainly Iranian—in front of the US Embassy in 1979. The same year Shia religious leader Sayyid Abbas al-Mihri, Khomeini's local representative, delivered antigovernment sermons before being deported. Kuwait's Shias, however, have been less responsive to Iranian incitement than their coreligionists in Bahrain and Saudi Arabia, possibly because they have been allowed a greater economic stake in Kuwait. []

Iraq's Growing Importance

Kuwait, partly from necessity and partly from desire, has aligned itself more closely with Iraq over the past two years. It readily joined in Iraq's condemnation of the Camp David accords and supported its call for economic sanctions against Egypt. Kuwait was the first Gulf state to reject Oman's proposed plan for joint defense with the West of the Strait of Hormuz after Iraq opposed it in 1979. Last year Kuwait quickly endorsed Iraq's call for a pan-Arab charter rejecting any foreign military presence in Arab countries. Kuwait is a key transfer point for Iraqi goods now that Iraq's Gulf ports are closed. []

Kuwait believes closer ties with Iraq are essential, given Iran's hostility and Saudi Arabia's weakness. Cooperation was greatly accelerated by the Iraq-Iran war, but relations began improving as early as 1978. Closer ties have been facilitated by Iraq's efforts to project a more moderate image and end its self-imposed isolation. Iraq, at the Baghdad Conferences of 1978 and 1979, took pains to woo Gulf conservatives—a policy since pursued with few lapses. Kuwaiti leaders hope to exploit Iraq's ambition to fill the Arab leadership vacuum created by Egypt's signing a peace treaty with Israel to further moderate Baghdad's behavior. []

Kuwait and Iraq also share important concerns. Both have sizable Shia communities that are vulnerable to Iranian manipulation. Shia revolt in one would undermine internal security in the other. Iraq shares Kuwait's worries about continuing instability in Iran, the Soviet occupation of Afghanistan, Moscow's influence in the Yemens, and superpower rivalry in the Gulf. []

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Even so, the Kuwaitis are skeptical that Iraq has permanently shelved its Baathist revolutionary goals toward the Gulf states. They remember previous Iraqi support for Gulf subversives and have experienced firsthand Iraq's use of terror against its enemies on Kuwaiti territory. Iraq, for example, attempted to assassinate Iranian Foreign Minister Ghotzbadeh during his visit to Kuwait in April 1979. [REDACTED]

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Iraq's longstanding territorial claims to Kuwait are a potential threat. Iraq claimed Kuwait shortly after it became independent in 1961, but Kuwait called on British and pan-Arab military forces to deter an Iraqi invasion. Iraq recognized Kuwait in 1963, but has never relinquished claim to territory along the land border or to Warbah and Bubiyan Islands, which control access to Iraq's military port of Umm Qasr. Kuwait's Crown Prince and Prime Minister, Shaykh Sa'd sought to exploit improved relations to resolve the dispute last May. The Iraqis, however, rejected the overture. [REDACTED]

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Iraq, seeking stronger ties with its conservative neighbors during the war with Iran, sent a team to Kuwait in February to reopen the island question. The delegation reportedly repeated earlier Iraqi offers to lease the islands from Kuwait for 99 years. Iraq's goal is to eliminate a strategic vulnerability caused by its very narrow access to the Gulf. Iraq's need for Kuwaiti help in accepting and transshipping goods unable to pass through Iraqi ports closed by the war may give Kuwait enough leverage to settle the border problem. Iraq's cancellation of its border agreement with Iran, however, troubles Kuwaiti leaders. [REDACTED]

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Iran-Iraq War

The war between Iran and Iraq poses several dangers to Kuwait. An Iranian victory would probably stimulate more aggressive attempts by Tehran to incite Shia rebellion in the Gulf. An Iraqi victory would boost Iraq's leadership pretensions and presumably its demands on lower Gulf "allies" to fall into line, and add leverage to its territorial demands on Kuwait. A stalemate maintains a rough power balance that allows Kuwait to maneuver between its two powerful neighbors, but it perpetuates a war only 100 miles from Kuwait's capital. It also threatens to spread or provoke outside intervention, with disastrous consequences for Kuwait's oil economy. Kuwait's support for Iraq has

increased as the conflict has turned into a stalemate. In addition to playing on Kuwait's Arab sympathies, Iraq has argued that an Iranian victory would stimulate Iranian subversion throughout the Gulf. [REDACTED]

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Kuwait has permitted overland shipment of refined oil products to Iraq despite repeated Iranian warnings and two airstrikes against a Kuwaiti border post last November. Iran's failure to acknowledge responsibility for the attacks probably confirmed Kuwait's judgment that Iran is wary of spreading the war. [REDACTED]

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The war also has stimulated Kuwaiti interest in formal cooperation with its Arabian Peninsula neighbors. Kuwaiti leaders believe that the smaller Gulf states will sink or swim together; instability in one will affect all. This view stimulated some cooperative ventures before the war began. In late 1978—even before the Shah's ouster—Kuwait's Crown Prince and Prime Minister toured the Gulf, urging an end to feuding among and within ruling families and increased bilateral economic and cultural cooperation. Gulf ministers of information met to discuss ways to counter anti-Arab bias in the Western news media, labor ministers launched a coordinated campaign to register foreign workers, and security officers have since at least 1979 held annual meetings to exchange views and information. [REDACTED]

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The principal block to formal cooperation in the Gulf, especially on security, had been the efforts of Iran and Iraq to use regional cooperation to gain advantage over each other. Each, therefore, sought to exclude the other, Iraq arguing for an "Arab" grouping and Iran arguing for a linking of Gulf "moderates." Saudi Arabia opposed both approaches and instead stressed bilateral arrangements, which built on Riyadh's already strong ties with the shaykhdoms and preserved for it maximum political flexibility. In keeping with their balance-of-power approach, Kuwait and the other shaykhdoms have traditionally sought to avoid choosing sides, while modestly improving coordination among themselves and with Saudi Arabia. [REDACTED]

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The Iranian revolution and the Iran-Iraq war changed the equation. Kuwait and the other Peninsula states have skillfully used the chaos in Iran, Iraq's dependence on Arab logistic and political support, and the preoccupation of both powers with the war to create for the first time a formal Arab grouping that excludes—initially at least—both Iran and Iraq. The organization, if properly developed, should improve the ability of the smaller states and Saudi Arabia to act independently of Iran and Iraq. [redacted]

Kuwait—backed and possibly inspired by the Saudis—took the lead in forming the new grouping. It proposed at the Arab summit in November the creation of a Gulf Council for Cooperation to coordinate economic, cultural, and security matters. Gulf rulers subsequently agreed to a plan that would create a supreme council, a ministerial council, a permanent secretariat, and even a high court. Security issues are not emphasized, but there is a good prospect for greater exchange of security information and coordination of military purchases and communications among the the Gulf States. [redacted]

The Palestinian Question

The Kuwaitis regard the Palestinian question, not the Iran-Iraq war or even the Soviets, as their most immediate security threat. No other issue in their view has so great a potential to split and radicalize Arab ranks and force Kuwait into unwanted alliances. The presence of a large Palestinian population and several radical Palestinian organizations in Kuwait heightens Kuwaiti sensitivity to the issue. [redacted]

Kuwait and the moderate Palestinian organizations appear to have an understanding: Kuwait provides diplomatic and financial support as well as employment for Palestinians, and the Palestinians restrict their political activity in Kuwait. Kuwait contributes about \$39 million annually to the Palestine Liberation Organization (PLO) and another \$24 million to the West Bank as agreed to at the Baghdad Conference in 1979. The PLO helps Kuwait monitor the more radical Palestinians in Kuwait. [redacted]

The Kuwaiti-Palestinian understanding is based on more than pragmatism; Kuwait's leaders, particularly the Amir, are genuinely sympathetic to the Palestinian cause. Like most Arabs, the Kuwaitis believe the Pal-

estinians have suffered an injustice, and they share a sense of responsibility for recovering occupied Palestinian territory. [redacted]

Sympathy, however, is balanced by suspicion. The Kuwaitis eagerly await a Palestinian state to rid themselves of an internal threat. The Palestinians could then be treated like other foreigners rather than as refugees. [redacted]

Attitude Toward the United States

Kuwait's rulers have become increasingly suspicious of US intentions and doubt its capabilities and will. These misgivings are strongest over US determination to resolve the Palestinian question equitably and have produced probably the coolest US-Kuwaiti relations since the Arab-Israeli war of 1967. The Kuwaitis regard the lack of progress in the Camp David process as evidence that the US is not seeking an overall settlement. They have concluded that the Egyptian-Israeli peace treaty was a separate treaty that holds nothing for the Palestinians because the US will not force concessions from Israel. US unwillingness to vote for United Nations resolutions critical of Israeli occupation of the West Bank fuels this skepticism. [redacted]

Kuwait's rulers have not always been so skeptical. They privately greeted the Camp David accords with cautious optimism and did not favor isolating Egypt. Their public policy, however, was driven by Palestinian opposition to the accords, and Kuwait readily succumbed to hardline pressures at the Baghdad Conferences in 1978 and 1979. As usual, Kuwait took a more radical stance than the other Gulf shaykhdoms, reflecting the greater Palestinian influence in Kuwait. [redacted]

The Kuwaitis are ambivalent toward the US role in the area and contradictory in their advice. They want the US to counter Soviet expansion, but not in a manner that threatens their own stability by polarizing the region or provoking superpower rivalry in the area. [redacted]

[redacted] The Kuwaitis oppose Oman's granting the US access to its military facilities, arguing that

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Oman's Sultan Qaboos, by so closely identifying with the US, risks alienating his people. [REDACTED]

At the same time, Kuwaitis are losing confidence that the US can or will defend the interests of moderate Arabs, including Kuwait, in the region. The Kuwaiti Government rejected a US proposal last June for regular consultations on regional security issues. The Kuwaitis single out US inability to prevent the ouster of the Shah and failure to deter Soviet expansion. [REDACTED]

Kuwait supplies virtually no oil to the US, but is an important supplier to the UK (14 percent of oil imports) and Italy (10 percent). Roughly 65 percent of Kuwait's more than \$54 billion in foreign investments are in the US or in US dollar instruments. Kuwait has generally shunned large foreign holdings that attract unfavorable publicity. Even so, Kuwait bought Kiawah Island off the coast of South Carolina and a hotel and exhibition complex in Atlanta, Georgia. Despite its small population, Kuwait imported goods valued at \$751 million from the US in 1979, making the US Kuwait's second largest source of imports. More than 2,000 US citizens, mostly businessmen and their families, reside in Kuwait. [REDACTED]

The official US presence is not large, but includes a military liaison office that oversees a limited arms sales program. [REDACTED]

Greater Soviet Threat

Public statements by Kuwaiti rulers that the USSR does not constitute a real threat to Gulf security conceal deep concerns. Long before the Soviet invasion of Afghanistan, senior Kuwaiti officials were warning the US that Soviet activities in Ethiopia and South Yemen were part of a Communist pincer movement designed to control Gulf oil. A belief that the United States was unwilling or unable to meet this challenge added to the Kuwaiti concern; Kuwait's Minister of Defense complained in late 1978 to the commander of US forces in the Middle East that the US had not been doing enough to protect its interests in the region. Kuwaiti fears for their country's vulnerability grew after the Soviet invasion of Afghanistan. [REDACTED]

Despite—and to some extent because of—these fears, Kuwait's foreign policy stresses nonalignment. Alone among the Gulf monarchies, Kuwait has diplomatic relations with the USSR and most East European countries. Kuwait purchased Soviet-built FROG missiles in 1977, in part to demonstrate its lack of dependence on either West or East. The Kuwaitis believe that their weakness permits them few options; they cannot afford to provoke the Soviets, who the Kuwaitis fear might stir up expatriate communities or encourage subversion by Arab leftist states. [REDACTED]

Kuwait refuses to acknowledge publicly fear of a Soviet external threat because to do so, it believes, would encourage Soviet and leftist pressures. Equally important, declaring too great a concern over the Soviets would probably lead the US to increase its presence in the region, threatening to escalate superpower rivalry. [REDACTED]

Following the Soviet invasion of Afghanistan, the Kuwaitis began adapting to what they regard as expanding Soviet influence in the region. The Kuwaiti Foreign Minister expressed doubts to the Danish Ambassador [REDACTED]

The Kuwaiti response has been to avoid antagonizing the Soviets and to appear accommodating, an approach that contrasts sharply with that of Oman, which emphasizes moving closer to the US. Kuwaiti officials have publicly expressed a willingness to sell oil to the Soviets. Kuwait has balanced criticism of the Soviet invasion with criticism of US support for Israel's occupation of the West Bank. The Kuwaitis participated in the Moscow Olympics, which Saudi Arabia and other Gulf states boycotted. They lined up with other Muslims by condemning foreign intervention in Afghanistan, but they have been tepid in their support of the Afghan rebels. The government has permitted private charitable collections in Kuwait and has itself provided limited clothing and foodstuffs [REDACTED]

The process of accommodation seems to have abated somewhat during the past year, perhaps more because the Kuwaitis see the Soviets as less threatening than

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for any other reason. The Soviets have been tied up in Afghanistan for over a year with no end in sight. At least one senior member of the ruling family is highly satisfied over recent US efforts to counter Soviet activities elsewhere. The Kuwaitis may also feel emboldened by the prospect for increased cooperation among the Gulf states while Iran and Iraq are preoccupied in a war that is weakening them militarily. Saudi Arabia, the other shaykhdoms, and Iraq, moreover, express strong anti-Soviet views that probably bolster the Kuwaitis. []

Foreign Minister Sabah visited Moscow in April. The Kuwaitis wanted to strengthen their nonaligned credentials and they enjoyed diplomatic speculation that the visit was a rebuke for being bypassed by US and British delegations visiting the Persian Gulf states. Sabah's visit, however, fell short of Kuwaiti expectations. The two sides differed on several issues. Sabah failed to overcome Soviet misgivings that the Gulf Cooperation Council was a Western-inspired security grouping. The Kuwaitis and the Soviets also disagreed over the Soviet presence in Afghanistan and over details of the Brezhnev plan for an Indian Ocean region free of foreign military bases. []

More importantly, the Kuwaitis received little encouragement for their efforts to dampen Omani-South Yemeni enmity by reducing the links each has with the contesting superpowers. Kuwait's rulers, in the heady atmosphere following the success of the Gulf Council initiative, are spearheading a campaign within the Council to wean South Yemen from the Soviets and then use this change to insist that Oman limit its own developing military relations with the US. The Kuwaitis probably doubt that the USSR can be easily dislodged from South Yemen, but believe that Soviet influence can be reduced in the long run. In the short term, they hope to break the pattern of intensifying superpower rivalry by pressing Oman to halt the US military buildup in Oman. Kuwait and the United Arab Emirates have already offered financial inducements to Oman and South Yemen. Despite poor prospects for success, the Kuwaitis almost certainly will persist in their efforts. []

Foreign Aid

Kuwait uses foreign aid mainly to bolster its Arab credentials and secure protection. From 1974 to 1980

it contributed about \$4.5 billion in concessional loans and grants to about 40 countries. It ranks among the leading donors in terms of the ratio of aid disbursement to GNP—over 2 percent annually compared to less than 0.4 percent for most OECD countries. []

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Arab confrontation states—Syria, Jordan, and, until 1979, Egypt—claimed about four-fifths of Kuwaiti economic aid; Syria and Jordan received 95 percent of the average annual military aid disbursements of \$370 million in 1979 and 1980. This mainly represents Kuwait's share of the Khartoum, Rabat, and Baghdad subsidies. The Palestine Liberation Organization and other Palestinian groups received about \$60 million annually. Most of the remainder was disbursed to Islamic, African, and Asian countries in roughly that order. []

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Major aid grants with political motives are given in conjunction with other Gulf oil producers—Saudi Arabia, the United Arab Emirates, and Qatar. South Yemen has received particular attention from the Kuwaitis over the past year. Kuwait has argued that Arab moderates must provide the Yemenis an alternative to dependence on the Soviets. Aid has included financial support for schools and mosques to counter Communist ideology and more recently partial financing for the construction of an airport in South Yemen. Kuwait also provides crude oil for South Yemen's small refinery. Though not substantial, Kuwait's aid policy toward the Yemens has often run counter to Saudi Arabia's use of aid to reward or punish, depending on Aden's attitude toward the Soviet presence. []

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Kuwait has been a substantial financial backer of the Muslim rebels in Ethiopia's Eritrea Province and probably would have provided more support if the various liberation fronts had united. Kuwait is also concerned about the stability of Somalia and from 1974 to 1979 gave \$64.4 million; selected military aid, consisting mostly of 40 rebuilt Centurion tanks was delivered in 1979 and 1980. []

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Oil Policy

Kuwait's policymakers recognize that oil revenues are the underpinning of Kuwait's political stability, and they are concerned over preserving this resource. The public shares the ruling family's strong conservationist

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attitudes toward oil pricing and production policies. The government is reaping more money than it needs to finance an extensive welfare system that provides education, housing, medical care, and employment to all its citizens. Official reserve assets amounted to \$20 billion at the end of 1980. In addition, the country has an estimated \$34 billion in nonreserve assets, a large share of which is invested in the UK. Not surprisingly, most Kuwaitis believe that more oil should be left in the ground to appreciate in value and be used by future generations. [REDACTED]

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Because Kuwait restrained its spending for industrialization it suffered fewer economic and social dislocations than other Gulf oil producers during the economic boom of the mid-1970s. Restraint in industrial growth has widespread support because even a modest expansion would require importation of additional foreign labor. Expatriates already make up over 75 percent of the labor force. [REDACTED]

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Kuwait characterizes itself as a moderate in OPEC, but during the past few years it has been a price hawk and has cut production during oil market surpluses when it could not obtain its price. It cut its own production ceiling from 2 million barrels per day to 1.5 million b/d last year, and is contemplating further reductions. It sells its oil at premium prices and has been a leader in converting from long-term contracts with international oil companies to government-to-government deals. Gulf Oil, British Petroleum, and Royal Dutch/Shell drew two-thirds of Kuwait's output in 1979; today they purchase about one-third of Kuwaiti exports. Kuwait has a voice in the companies' selection of customers and requires that some purchased oil be transported by Kuwaiti-owned tankers. It also instituted the most-favored-seller clause into contracts. Kuwait, however, recognizes that its investments could suffer from major economic dislocations in the West. The Kuwaitis increased production during the disruption in the world oil market that occurred during the Iranian Revolution and the Iran-Iraq war. [REDACTED]

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The accession of Amir Jabir Ahmad al-Sabah in 1977 and his appointment of Shaykh Ali Khalifa al-Sabah as Minister of Oil in early 1978 brought bolder, more self-confident leadership. Tighter world market conditions also aided this more activist approach. Pre-

viously the Kuwaitis played a relatively passive role within OPEC, generally following the lead of Saudi Arabia and accepting a decline in the real price of oil during the 1974-78 period. Since 1978, however, they have become increasingly independent of Saudi Arabia, whose influence in OPEC had declined because of the belief that it had insufficient productive capacity to enforce its moderate pricing policies. The present slack demand for oil, however, has restored considerable influence to the Saudis. Even so, the Kuwaitis are pressing customers for price premiums far above market levels. [REDACTED]

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The Kuwaitis argue sharply against Saudi oil policies on the grounds that high production and low prices harm OPEC unity and benefit US oil companies and Western consumers without sufficient political or economic compensation. The Kuwaitis resent Saudi Oil Minister Yamani's overbearing leadership and want to increase their own influence in OPEC. They relish the role of power broker between hardliners and conservatives. This role enhances their prestige and promotes OPEC unity without exposing them to the criticism that the spokesman of OPEC receives. The Kuwaitis eagerly await tighter market conditions that enhance their influence. [REDACTED]

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Outlook

The conflicting tugs and pulls on Kuwait will produce continuing ambivalence and seemingly contradictory policies of a sort that characterize to a lesser extent many of the smaller Gulf shaykhdoms. Kuwait, out of fear of Iran—and Iraq—will remain close to Iraq and susceptible to Iraqi pressures. At the same time, Kuwait will pursue closer cooperation with other moderate Gulf states. The Kuwaitis, however, probably will drag their heels in substantive security matters in deference to Iran and Iraq, particularly following the Iran-Iraq war when one or both may be in a better position to exert pressure. Even so, Kuwait's bonds with the Gulf moderates probably will improve, and some progress in security cooperation is likely. [REDACTED]

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US-Kuwaiti relations are unlikely to improve substantially. They probably will worsen if progress is not made on the Palestinian question. The temporary improvement in relations stemming from Kuwait's recognition that the US is Kuwait's indirect protector will

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decline following the elections in Israel in June, when attention again will focus on what is to the Kuwaitis the most pressing Middle East problem. [REDACTED]

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Relations are certain to be hampered by Kuwait's efforts to preclude military cooperation between the US and Oman. Kuwait will simultaneously work to reduce South Yemen's ties to the Soviet Union, but Kuwait's and Oman's membership in the Gulf Cooperation Council gives Kuwait much greater leverage on Oman. Kuwait's efforts are likely to fail, but they will make extensive cooperation between the US and Oman more difficult. This will especially be the case if Arab radicals launch terrorist or subversive campaigns against Arab governments that have military ties with the US. The resurgence of the revolutionary Popular Front for the Liberation of Oman, in particular, would reinforce suspicions in Kuwait and elsewhere that close identification with the US is dangerous. [REDACTED]

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Kuwait's policy toward the USSR will continue to be governed by the Kuwaitis' perception of the Soviet threat. Significant gains by the Soviets or leftists in the region would produce further accommodations to their growing power. A major Soviet setback would lessen this impulse, but would not change Kuwait's policy of nonalignment because of deep-rooted fears of provoking Soviet attempts to destabilize the regime. [REDACTED]

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Appendix

Jabir Ahmad al-Sabah

Amir

Shaykh Jabir Ahmad al-Sabah has ruled since December 1977. In the decade preceding he had day-to-day control over the country as Prime Minister and Crown Prince. He retains most of the decisionmaking process in his own hands and has a businesslike approach to government. Kuwaitis and foreigners respect and regard him highly for his knowledge of domestic and foreign issues. [REDACTED]

Shaykh Jabir, about 53, has strong views on many issues and can be determined, even stubborn, in adhering to his positions. He is a particularly strong supporter of the Palestinian cause. He has declared conservation of oil and gas—virtually the only natural resources of Kuwait—as the government's first priority. He also insists that oil revenues be wisely invested to meet the needs of future generations. He has supported price hikes and production cuts and the development of downstream investments in the petroleum industry. [REDACTED]



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Sa'd Abdallah al-Sabah

Crown Prince

Shaykh Sa'd was appointed Crown Prince in January 1978 and Prime Minister the following month. Previously he had been Minister of Defense and held a number of Cabinet positions before that. The ruling family appointed him heir apparent over the more senior Shaykh Jabir Ali al-Sabah. [REDACTED]

Sa'd is competent, hard working, and intelligent. Most Kuwaitis welcomed his appointment for the stability and responsibility he represents as family peacemaker. He is especially well liked and respected among the military and security forces. [REDACTED]

Sa'd is basically friendly to the US, is easy to deal with, and amenable to persuasion on complex issues. Some critics fault him for gullibility and overreliance on



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advisers. As Minister of Interior he enforced stern measures against troublemakers, a policy he continues. As Defense Minister he declared that Kuwait would not rely on a single arms supplier and arranged for limited arms purchases from the Soviets in 1977. He remains deeply concerned with internal security and defense forces. [REDACTED]

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Sabah Ahmad Jabir al-Sabah

Deputy Prime Minister and Foreign Minister

Shaykh Sabah Ahmad al-Sabah's significance in shaping foreign policy is enhanced by his position as Deputy Prime Minister, his more than 15 years of experience as Foreign Minister, and his close personal relationship with his elder brother, the Amir. Under Shaykh Sabah's direction, Kuwait has become increasingly involved in foreign affairs, both regionally and internationally. He has played an active role as a negotiator and mediator in several Middle Eastern and African troublespots. Sabah is hardworking and conscientious, but lacks his brother's strong will and personal prestige. [REDACTED]

Shaykh Sabah, about 50, is friendly toward the US but supports a nonaligned stance for Kuwait. [REDACTED]



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